

Message Text

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ACTION ARA-10

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C O N F I D E N T I A L LIMA 6138

EO 11652: GDS

TAGS: EINV, EMIN, PGOV, PE

SUBJ: NORTHERN PERU MINING CORPORATION RECEIVES
ENCOURAGEMENT FROM GOP

REF: LIMA 5675

1. HANS STEIN, GENERAL MANAGER OF NORTHERN PERU MINING CROP. (NPMC), CALLED ON THE AMBASSADOR ON JULY 31 TO BRING HIM UP TO DATE ON THE STATUS OF NPMC DISCUSSIONS WITH THE MINISTRY OF ENERGY AND MINES (MEM) CONCERNING NPMC'S DECISION TO CLOSE ITS MINE. STEIN SAID THAT ON JULY 29 HE HAD A FRUITFUL DISCUSSION WITH MEM VICE MINISTER ANTONIO TORD WHO STATED THAT NPMC'S OFFER IS "MOST INTERESTING." IN ESSENCE, THE OFFER INCLUDES THE TRANSFER OF ALL NPMC'S PROPERTY WITHOUT COMPENSATION BY SEPTEMBER 1. NPMC WOULD REQUEST, DURING NEGOTIATIONS, SOME COMPENSATION FOR NEW MATERIAL AND EQUIPMENT AND FOR CONCENTRATES IN STOCK (\$2 MILLION) AND ALSO REQUEST REPATRIATION OF PAYMENTS DUE ON A \$4 MILLION LOAN FROM MORGAN TRUST.

2. STEIN SAID THAT TORD HAS ORGANIZED A STUDY COMMISSION TO EVALUATE THE MINE (THE COMMISSION HAS ALREADY VISITED
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THE MINE) AND HAS ALSO BEGUN THE PROCESS OF AUDITING

COMPANY BOOKS. STEIN EXPLAINED ONCE AGAIN THAT THE MINING COMMUNITY (RUN BY THE APRISTAS) IS VERY CONCERNED OVER A TAKEOVER BY THE GOP AND HAS SENT A MEMO TO MINES MINISTER FERNANDEZ MALDONADO ASKING THE GOP TO HELP THE COMPANY (SIC) THROUGH A TAX HOLIDAY AND SUBSIDIES. THE MINERS ARE ALSO SCHEDULED TO CALL ON THE MINISTER ON AUGUST 5. STEIN PREDICTS THEY WILL RECEIVE A VERY COOL RECEPTION FROM THE MINISTER.

3. STEIN SAID THAT HE DOES NOT BELIEVE THAT THE GOP CAN MOVE RAPIDLY ENOUGH, PRESUMING IT DECIDES TO TAKE THE MINE, TO MEET THE SEPTEMBER 1 DEADLINE, AND HE FULLY EXPECTS THE PROCESS TO LAST INTO NOVEMBER.

4. COMMENT: STEIN STILL SEES SOME PITFALLS, BUT WAS GENERALLY OF THE OPINION THAT THE MEM MAY WELL BE DISPOSED TO TAKE THE MINE, SINCE THIS WOULD BE A POLITICALLY EXPEDIENT MOVE, EVEN IF THE REFINING OF ITS CONCENTRATES COULD CAUSE PROBLEMS IN THE FUTURE. WE TEND TO AGREE, PARTICULARLY FOLLOWING THE MARCONA NATIONALIZATION, THAT FERNANDEZ MALDONADO AND THE GOP IN GENERAL MIGHT BE DISPOSED TO TAKE THE MINE, HAILING THIS AS ANOTHER STEP TOWARD REALIZATION OF PLAN INCA'S GOALS IN THE MINING SECTOR AND THEN WORRY ABOUT DISPOSAL OF THE CONCENTRATES. NOTWITHSTANDING STEIN'S EARLIER DISCLAIMER THAT CENTROMIN'S LA OROYA REFINERY MIGHT NOT BE ABLE TO PROCESS THE CONCENTRATES, PRESUMABLY THE MEM COULD MAKE PLANS TO EXPAND THE FACILITIES FOR TREATMENT AT LA OROYA IF IT DECIDES TO KEEP THE MINE OPERATING.
DEAN

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